

OFFICE OF AUDITS
MEMORANDUM REPORT 98-CI-022
BUREAU OF AFRICAN AFFAIRS SUPPORT FOR U.S. BUSINESS
SEPTEMBER 1998

This report represents the results of the Office of Inspector General's (OIG) review of the Bureau of African Affairs (AF) activities to promote and support U.S. business overseas. The work was conducted as part of an overall review of Department of State (the Department) support for U.S. business. In January 1998 AF's deputy assistant secretary responsible for economic issues, requested a report concerning bureau and post activities.

In sub-Saharan Africa, the Department has primary responsibility at 35¹ posts to promote and support U.S. commercial activities. AF posts have made a major commitment of personnel and financial resources to assist U.S. business in Africa. In fiscal year (FY) 1997 the AF budget for export promotion and related commercial activities was about \$7 million. We found that AF does not have a coordinated management structure to promote and support overseas commercial activities. Also, AF has yet to employ a comprehensive export strategy. We believe this strategy is necessary to build a strong export promotion effort in Africa and should include a comprehensive plan to attract new-to-market companies that will enhance business relationships in Africa.

We identified areas to strengthen post programs and support services, including more insightful market reporting and greater use of all post personnel to identify trade opportunities. We found that 60 percent of officers arriving at post are not trained to fully handle their commercial responsibilities. In addition, AF does not have staff responsible to manage all bureau and post export promotion and commercial activities. We found two regional bureaus have established similar positions that have successfully developed bureau initiatives to better serve the needs of U.S. exporters. We reviewed a variety of bureau and post "best practices" in supporting U.S. business overseas. In Appendix A, we have described potential initiatives to coordinate and manage export promotion in AF.

¹ Of the 39 posts in AF, four are closed, and one post has a combined political/economic/commercial position that has been vacant since 1997.

OBJECTIVES AND SCOPE

The primary objectives of the overall review were to evaluate the Department's support of U.S. business abroad and analyze the Department's goals and performance measures. We also examined the Department's role within the context of the overall U.S. Government effort. Although our fieldwork encompassed five geographic bureaus, this report responds to a January 14, 1998, request from AF's deputy assistant secretary to present in more detail our findings concerning the bureau and post efforts to support U.S. business overseas. We plan to issue a comprehensive report covering our findings for the entire Department.

The fieldwork was performed from September 1997 through July 1998. Within the Department, we interviewed officials from the Office of Commercial and Business Affairs (E/CBA); the Bureau of Economic and Business Affairs (EB); the School of Professional Studies at the Foreign Service Institute (M/FSI/SPS); the Office of Career Development and Assignments in the Bureau of Personnel (PER/CDA); and regional bureaus. In Washington, we met with individual companies trading in Africa and with trade associations whose members have commercial ties to Africa. We met with Department of Commerce (Commerce) officials in the Office for International Trade including the U.S. and Foreign Commercial Service (FCS), Office of Africa, and the Advocacy Center. We also contacted five of Commerce's domestic Export Assistance Centers (EACs) and visited the center in Baltimore, Maryland. We coordinated our work with Commerce's OIG. In addition, we met with organizations that support programs with commercial interest in Africa including the Foreign Agricultural Service; the Agency for International Development (AID); United States Information Agency (USIA) known overseas as the United States Information Service (USIS); the Department of Transportation; the Trade and Development Agency (TDA); and the World Bank. We attended AF's Chief of Mission conference in November 1997.

Overseas fieldwork was performed during October and November 1997 in Douala and Yaounde, Cameroon; Malabo, Equatorial Guinea; Libreville, Gabon; Lome, Togo; Accra, Ghana; Abidjan, Cote d'Ivoire; and Dakar, Senegal. We selected posts that did not have a Foreign Commercial Service office but did have a State Department-funded commercial unit. We visited Abidjan as an FCS post because it has a partnership or advisory arrangement with 21 non-FCS posts in West Africa. We chose to review programs in countries and regions with potential as growth markets for U.S. exports and with reported proactive commercial programs. We met with embassy staff, local agents and distributors of U.S. products, resident American business people, representatives of American companies, and American business representatives traveling in West Africa. We visited or contacted by e-mail all 35 non-FCS posts in Africa with commercial operations. Overseas, we identified U.S. business persons that requested embassy services. We contacted the U.S.-based business representatives and obtained information on services provided by the embassy and the level of customer satisfaction with those services.

For domestic and overseas work, we obtained and reviewed relevant files, documentation, reports, and trade statistics. We agreed to maintain confidentiality of business proprietary data and responses on customer satisfaction issues regarding embassy commercial services. We also

reviewed the records of the Business Facilitation Incentive Fund (BFIF) from E/CBA and the Executive Secretariat.

This audit was conducted by the Consular Affairs and International Programs Division of the Office of Audits. Major contributors to this document were David Wise, division director; Richard Astor, audit manager; Max Aguilar, audit manager; Monique Taylor, auditor-in-charge; Maryann Deocampo, auditor; and Hallock Lucius, consultant.

The audit was conducted in accordance with generally accepted government auditing standards and included such tests and auditing procedures as were considered necessary under the circumstances.

BACKGROUND

The Departments of State and Commerce have a unique partnership in Africa. In other parts of the world, FCS plays the central export promotion role. In sub-Saharan Africa, the State Department plays a key role in supporting and promoting U.S. business activities. It is true, as one deputy chief of mission assigned to a central African post noted that, "State has the tough markets." In Africa, the Department has the primary export promotion responsibility at 35 posts and Commerce services four countries. There are several obstacles to promoting U.S. business in Africa. Most of the African countries offer small markets and several rank among the poorest in the world. Other factors discouraging U.S. companies include distance, awkward airline scheduling, and shipping arrangements that often price American goods higher than competitors from neighboring continents, plus political and civil unrest. The October 1997 issue of *National Export Strategy* published by the interagency Trade Policy Coordinating Committee² (TPCC) states that "We need to do more to broaden understanding among U.S. firms that other nations (i.e., aside from South Africa) hold the promise of commercial opportunities." Consequently, AF has a strong mandate to mobilize its resources to make it happen.

As economic reforms are increasing, African nations are showing themselves to be larger players in the global trading system. In 1996, Africa represented a total import market of about \$86 billion. In 1995, the United States, with 7.1 percent of the African market, moved from the number five position to the number three supplier behind France and the United Kingdom. The growth of U.S. exports to Africa has out-paced the growth of U.S. trade worldwide in the last 2 years, and returns on U.S. direct investments in Africa have been high. However, Africa only accounts for about 1 percent of total U.S. exports. Also, African nations are clearly increasing their commercial relationships with other African, Latin American, Caribbean, and Asian countries. African imports from other developing countries rose from \$19.5 billion in 1990 to \$33.3 billion in 1995.

² Department of Commerce, Agency for International Development, Environmental Protection Agency, Department of Agriculture, Department of Interior, Department of Labor, Department of State, Department of Treasury, Department of Defense, Export-Import Bank, Council of Economic Advisers, Department of Energy, United States Information Agency, National Economic Council, Trade and Development Agency, United States Trade Representative, Office of Management and Budget, Overseas Private Investment Corporation, Small Business Administration, and Department of Transportation.

Supporting and encouraging sustainable economic growth and development in Africa is the primary goal of the Administration's trade and development policy for the region. Often called the Africa Initiative, the Administration's approach is based on the core premise that America's economic relationship with Africa should develop towards trade and investment and serve as the principal stimulant to its economic growth. The Administration plans to support such a reform by: (1) increasing the trade flow between the U.S. and Africa, (2) promoting economic reform as well as the development of the private sector and infrastructure, and (3) improving the investment climate.

The Administration's Africa Initiative has set the following goals and strategies for 1998: (1) strengthening economies and opening markets, (2) providing finance and investment support, (3) focusing on debt relief, (4) addressing transparency and institutional development, (5) ensuring private sector awareness of trade and investment opportunities, and (6) facilitating regional economic integration.

RESULTS OF REVIEW

Improvements Needed in Managing Support for Overseas Commercial Activities

AF's commercial effort lacks a comprehensive management structure to support its 35 posts on a budget of approximately \$7 million in FY 1997 for export promotion and related commercial activities. Senior AF officials are considering the establishment of a senior commercial advisor position in their front office. This highly visible position would have the overall responsibility to manage existing export promotion resources and develop a comprehensive program strategy. The Bureau of East Asian and Pacific Affairs and the Bureau of Inter-American Affairs established similar positions that have successfully developed bureau initiatives to better serve the needs of U.S. exporters and work directly with other Federal agencies and key business groups. The senior commercial function in one bureau scheduled training for the desk officers to enhance their knowledge for supporting U.S. business abroad.

Experience in assisting U.S. business in the international market place is critical to the function of a senior commercial advisor to be effective in developing and coordinating bureau commercial initiatives and implementing bureau export promotion efforts. The senior commercial advisor function is also to manage bureau assistance to U.S. business through counseling, gathering commercial information, providing advocacy support, and generally developing strong ties with the business community. In addition, by being a member of the bureau's senior management, this officer can easily and directly advise the Assistant Secretary on export promotion issues and can more quickly take advantage of policies and events in the Department and the Federal Government that will serve the interests of U.S. exporters.

AF has not participated as a full-fledged partner with Commerce in export promotion efforts directed to Africa. We believe this partnership is needed to coordinate the resources of the bureau (with its 35 active post programs in Africa) and those of FCS (with offices in four sub-Saharan countries and 104 EACs in the United States) and Commerce's Office of Africa.

Together they can build a seamless delivery system offering export promotion services to U.S. business using the full range of valuable programs available through Commerce.

We found that the current AF commercial coordinator was handling the position in the manner common to those bureaus where the non-FCS posts are few in number - basically being reactive rather than taking an activist approach towards commercial work. The current coordinator responds primarily to routine operational requests from the field, provides limited outreach to the business community, and is available only to business people who call the bureau with specific requests for information and assistance. These basic efforts can be strengthened with a comprehensive program strategy along with clear program objectives and decisive management. Individual posts cannot be viewed as self-contained units to provide assistance to U.S. business and operate independently within a loose framework.

Need for Better Bureau Coordination with Posts and Commerce Department

A senior commercial advisor function is critical to directing, encouraging, and guiding commercial operations within AF's network of 35 non-FCS posts, but the incumbent should also fully coordinate efforts with the FCS posts in African countries and with appropriate Commerce domestic offices. For example, Commerce has valuable expertise and services available through its EACs as well as with headquarters that include: (1) working directly with exporting companies, (2) providing advocacy support, (3) offering specialized export promotion services such as the *Commercial News USA* and the International Buyers Program, (4) developing insightful market reports, and (5) guiding companies on how to do business in specific countries. For an understanding of the full range of potential initiatives to coordinate and manage export promotion in AF, see Appendix A.

Senior officials at three EACs were concerned that they were unaware of export assistance services available at non-FCS posts in Africa. By AF not connecting with Commerce trade specialists, Commerce's EACs throughout the U.S. are not in a position to readily encourage their clients to consider Africa as a market for their products. Also, this situation would be less of a barrier if EACs knew which non-FCS posts are on the Internet. An EAC Director stated that exporters prefer the Internet as the communications system of choice in the field of export promotion. For example, exporters would prefer to query non-FCS posts directly as they do with FCS posts. A growing number of AF posts are on the Internet, but there is no effort on the part of the bureau to collect and provide this information to EACs, Commerce headquarters units, and the business community. Senior AF officials agreed with us that the two agencies must develop a unified and creative approach as they work to make the best use of resources in Africa.

One way to increase AF's interaction with Commerce is to become a fully contributing participant on Commerce's National Africa Team. The team consists of volunteers drawn from both the foreign and domestic offices within Commerce and carries a mandate to develop new and creative initiatives to foster greater U.S. business interests in sub-Saharan Africa. Indeed, its mission statement, "to significantly increase awareness and knowledge of the U.S. business community about the export opportunities in Africa," is appropriate for inclusion in the statement of work requirements of a senior commercial advisor. Also included in that work statement

should be a commitment to the goal of the National Africa Team in so far as it is possible to provide the “business community [with] an in-depth understanding and expertise on which they can rely when considering investment and export opportunities in [African] countries.” The team’s statement of objectives recognizes that “commercial opportunities in Africa have not traditionally been a primary focus for the U.S. exporting community.” We believe that this weakness calls for a commonality of interest by the Department and Commerce offices, at home and abroad, to work together to make exporting to Africa a profitable reality for more American companies.

Export Promotion Strategy For Africa Is Needed

AF has not prepared a comprehensive export strategy. According to a consensus of U.S. exporters, without a comprehensive export strategy the Department’s commercial efforts in Africa will not be successful in raising U.S. exports to any significant degree. One basic weakness we identified, that is paramount in building a strong export promotion effort in Africa, is an absence of a detailed strategy to attract new-to-market American companies to Africa. A substantial increase in U.S. business presence in Africa will occur when the systematic effort is in place to draw U.S. exporters’ attention to product lines that have the greatest sales potential in Africa. Next, U.S. business travel to Africa can be encouraged when company representatives know that posts stand ready to arrange meetings with potential buyers on their first visit. Finally, the strategy should be drafted with the recognition that U.S. companies will come forward quickly if potential markets are identified on a regional basis because many of the individual country markets are so small.

The *National Export Strategy* advises that African nations are “sharply increasing their commercial relationship” with a host of countries, but not with the United States. According to public and private sector commercial experts, many countries in Africa are experiencing a growth in commercial imports, however, apart from trade with South Africa, U.S. exporters have not shared in this growth particularly in Francophone Africa. It does not explain the reports of Asian exporters recently making inroads into these markets. An exporter we spoke with also questioned why one of our biggest exports to Africa is used clothing when we are the leading exporter of state-of-the-art technology. For example, the United States, as an international leader in aviation technology, products, and services, should aggressively market these resources in order to bring the airports in African countries up to international standards of safety and reliability. AF has not played an active role in the Department of Transportation initiative to develop markets for U.S. aviation technology in Africa. This is discussed in detail in the next section.

Attracting New-to-Market Companies to Africa

AF has not implemented a comprehensive plan to attract new-to-market companies that will develop business relationships in Africa. According to U.S. Government officials and the U.S. exporting community, this plan must be at the heart of sustained efforts to build market share for American exports. As a practical matter, such a plan can be successful if close working relationships with Commerce’s EACs are established. In addition, non-FCS posts should provide the market research and offer the same commercial services routinely provided by FCS posts.

One barrier to attracting new-to-market companies to investigate African markets is the small size of the individual country markets. One export promotion official at a small post stated that bureau coordination could go a long way toward facilitating U.S. business interest in larger subregional markets. The official stated that this would entail creating groups of three or four countries with the embassies in each group sharing marketing ideas and research results with the goal of drawing U.S. exporter attention to a larger regional market. The National Africa Team should be linked to this process and suggest product themes based on domestic client groupings it has identified. That way exporter interest could be more easily advised of a larger market spanning a subregion. We observed such a regional alliance being formed in West Africa. Embassies Cotonou and Lome have a memorandum of understanding with the more experienced economic/commercial officer in Lome leading the combined effort.

Projecting Africa as a market of scale to U.S. companies should be an objective of AF's export promotion effort. This means identifying sectorial opportunities large enough to command U.S. exporter attention. This is why AF posts must be more alert and make a more systematic effort to gather early warning information on major project opportunities, particularly those financed by international lending institutions. Such an effort would create a greater awareness of Africa as a place where business can be successfully conducted on a scale worthy of a direct marketing effort.

The President's June 1997 announcement of a new partnership to achieve growth and opportunity in Africa has yet to focus AF in developing policies and plans for export promotion. Relative to the President's initiative, AF has been slow to act on an excellent trade promotion opportunity with the Secretary of Transportation's "Transportation Initiative and Partnership with Africa" with its theme: "Transportation: The Tie That Binds." The Secretary plans to lead a mission to Africa during 1998 that "will actively engage in promoting the U.S. private sector ... (and be) accompanied by business leaders representing various transportation and infrastructure sectors."

This is an attractive idea to U.S. business. An executive of a consulting firm explained that there is a need to upgrade the air traffic control systems across the entire continent of Africa. An export promotion effort in that field, and covering other transportation subjects, provides a high-profile approach to gain business for U.S. companies throughout Africa. To properly plan for such a visit, country market assessments from posts should be made well in advance. However, when we reviewed files and interviewed appropriate Department officials in connection with this trip, we found no action requests to the field nor country-specific requests for marketing information. In addition, the bureau has not actively participated in planning the commercial aspects of the trip such as recruiting appropriate private sector business people to accompany the Secretary. Thus, to date, this trade mission is an example of a missed opportunity where an activist commercial advisor could have, drawing on AF field resources, developed marketing insights that would give such a trip a sharper export promotion focus.

Recommendation 1: The Bureau of African Affairs should develop and coordinate bureau commercial initiatives, manage bureau export promotion efforts,

and develop an export promotion strategy making use of the 25 initiatives outlined in Appendix A of this report.

In the original draft report, we recommended that AF establish a senior commercial advisor position in the bureau's front office with the overall responsibility to develop and coordinate bureau commercial initiatives and manage bureau export promotion efforts, especially the 25 initiatives outlined in Appendix A of this report. In their comments, AF stated that it is actively reviewing its trade promotion strategy, and its management is actively engaged in promoting exports to Africa. AF believes that its management's strong interest in commercial issues has effectively elevated them fully onto the Front Office agenda. Based on the bureau's response, we modified the recommendation. We believe the bureau's actions meet the intent of the recommendation. This recommendation is considered resolved and can be closed upon receipt of the bureau's export promotion strategy.

Recommendation 2: The Bureau of African Affairs should immediately provide assistance to the Secretary of Transportation's trade mission to Africa including post country market assessments.

AF has worked closely with the Department of Transportation in planning the Secretary's trade mission that took place in July 1998. AF provided briefing materials and AF's deputy assistant secretary for economic policy accompanied the Secretary on his trip. This recommendation is considered closed.

Strengthening Post Programs and Support Services

While nine chiefs of mission demonstrated a high level of interest and dedication in the discharge of their export promotion responsibilities, we found post programs and support services needed to be strengthened. In accordance with Section 207(c) of the Foreign Service Act of 1980 (as amended), "Each chief of mission to a foreign country shall have as a principal duty the promotion of U.S. goods and services for export to such country." One ambassador calculated that he spent about 60 percent of his time in support of U.S. business interests. An official with export promotion responsibilities at one small post added, "My ambassador is adamant about helping U.S. businessmen." We found that ambassadors do pay attention to business-related issues and are actively engaged in supporting and advocating for U.S. commercial interests. Their statements were confirmed in interviews with a representative sampling of 13 executives of U.S. firms based in Africa. These comments were reiterated in interviews we conducted with 29 U.S.-based representatives of firms who sought the advice and assistance of U.S. embassies on trips to Africa.

While four of the six AF posts we visited had robust commercial programs, we identified areas to strengthen programs and commercial support activities within the embassies. For example, the vehicle of choice for U.S. exporters in identifying overseas business and trade opportunities is Commerce's "for-a-fee" customized market-assessment and appointment-making service known as Gold Key Service. We found that AF has neither guided nor directed posts to offer Gold Key services nor has it developed relationships with the EAC network in the United

States to encourage them to promote Gold Key visits of U.S. business representatives to Africa. Further, AF posts were unsure about the working of the Gold Key program. They did not understand the different level of service posts can provide, and how to apply to Commerce to be listed as ready to provide the service, how the Gold Key Service is interrelated with other reporting to the EAC trade specialists who work daily with U.S. exporters. As a result, at the end of FY 1997, Embassy Libreville was the only non-FCS post in the bureau offering Gold Key services. Subsequent to our fieldwork in Africa, four other African posts have been added to the FCS list. Later, three other posts we encouraged to offer Gold Key services agreed.

We believe that the senior commercial advisor function in AF is to advocate for Gold Key Service at all AF posts showing immediate potential for U.S. exports. This will allow U.S. exporters to more easily and directly investigate markets for their products in specific African countries. Also, Gold Key services should be offered by product line and span several countries where market prospects for a particular product have the most potential. With that information, the staff responsible for the senior commercial advisor function could work with trade associations and Commerce industry specialists to encourage U.S. suppliers to view Africa as a viable market. This coordinated effort would require posts to do market research and more fully develop their “best prospects” list. In turn, information could be consolidated in a master list by country and region and made available on Commerce’s electronic National Trade Data Bank (NTDB). We believe that through the Gold Key process, the bureau can pay greater attention to market identification. Also, the existence of this information should draw the attention of trade specialists at EACs so that they can relay this information to their clients.

Another service greatly valued by U.S. exporters and EAC export counselors who are searching for new markets are the International Marketing Insights (IMIs) reports. However, we found IMI reporting needed improvements. IMIs are short, timely reports from U.S. embassies, consulates, and multilateral development banks on almost any topic useful to U.S. companies interested in exporting. We found that IMIs did not fully report events with commercial interest, such as upcoming major purchases and projects, recent market developments, potential decision makers, and markets and industry profiles.

Commerce trade specialists e-mail IMIs to clients. IMIs are also available in the NTDB so that U.S. companies can access them electronically. According to a commercial trade expert, IMIs are a quick and easy way to reach the U.S. exporting community and, perhaps more importantly, Commerce trade specialists who work directly with the exporters most likely to use these reports. We have found that a post’s IMI reporting draws attention to the country as having possibilities for U.S. exporters and therefore should be encouraged by the bureau.

Overall IMI production at non-FCS AF posts increased between FY 1996 and FY 1997, but the increase was largely due to reporting from three posts. At two posts, the quality of the content do not provide commercial substance. We found in FY 1997, that the majority of AF posts averaged about four IMIs. We also identified senior embassy officials who were unfamiliar with IMI reporting and its concept. When we pointed this out to one nonreporting post, the commercial officer promised to immediately correct the situation. One post official stated a willingness to be convinced of the usefulness of IMIs, but he has not seen the evidence yet.

The Country Commercial Guide (CCG) series is another area where AF posts and the bureau need to work together to ensure that CCGs are both current and contain information useful to the business community. These guides do not always follow the detailed format prescribed by the TPCC and are not always current. CCGs need to be current and complete to provide U.S. business with the comprehensive information a company usually needs when considering entry into a country market. Nine Special Embassy Program (SEP)³ posts in AF do not produce CCGs. Of those, Angola, having a burgeoning petroleum sector, and Benin, offering an improved business climate, now merit the attention of U.S. business. These two posts with strong market potential should be encouraged to prepare a CCG. We believe that there is room in the SEP system, after clearing with the Department, for AF to encourage SEP participation.

Using All Post Sections to Identify Trade Opportunities

Although we found a general awareness of the importance of assisting U.S. business at posts visited, there was not always a clear recognition that each member of the mission should be alert to collecting information or identifying opportunities that could be useful to U.S. exporters or investors. For example, at one post we raised the point with the regional medical officer who routinely visited hospitals and medical facilities in neighboring countries. When asked if he had advised post commercial officers of U.S. medical products that could be marketed in those countries, he appeared surprised. However, the medical officer stated that he saw merit in identifying commercial opportunities and noted that he had never been advised that such information could be of value. At other posts the defense attaché and the regional security officer also were unaware that their assignments brought them in touch with people who could provide information to suggest markets for American companies. In one country, the AID mission had an initiative to increase the host country's nontraditional exports, such as furniture to be marketed in the U.S. The project manager, however, had not encouraged participating firms to source their woodworking machinery requirements with U.S. suppliers.

A few posts, notably Dakar and Lome, had adopted a coordinated post effort to provide assistance to U.S. business. The ambassador in Dakar showed creativity in forming an interagency working group to enlist all members of the mission in the effort to improve assistance to U.S. business interested in export or investing in Senegal. This interagency group is directed to identify ways to more effectively promote U.S. products. In Togo, the general services officer regularly briefs business visitors on housing, office space, and local labor regulations. These methods are in line with a point made in a British white paper on "Overseas Representation" that noted that there is "no part of the Post which may not at some time have something to contribute to export promotion."

Strengthening Ties In Africa

AF posts are generally alert to the importance of identifying export opportunities for companies. To strengthen business ties between African countries and the United States, AF

³ The purpose of the Special Embassy Program is to permit posts with moderate staffing resources to concentrate on essential objectives by relieving them of certain administrative and reporting requirements.

should issue guidance to each non-FCS post to have regular meetings with leading agents of U.S. firms in the host country. For example, strengthening business relationships is at the heart of Embassy Abidjan's very successful effort to organize an African buyers group under Commerce's International Buyer Program. The 73 member group consisted of import decision makers recruited by non-FCS posts in neighboring countries to travel to a major U.S. trade show. This technique is a highly visible way to directly show a particular American exporting sector that there is business potential in Africa. For the African business executive, going with a group of business leaders is an important incentive. We believe that this practice should be replicated in all the regions of Africa.

The bureau and posts need to work with Commerce, USIA, and TDA to encourage other orientation visits. USIA's International Visitors Program and the allied Voluntary Visitors Program are seldom used as export promotion vehicles to bring to the United States import decision makers and those officials connected with major government projects. According to commercial trade experts, there is no more effective way to market a product than to allow buyers of "big ticket" projects to "kick the tires" and examine the workings of successful units in the United States.

Finally, major project tracking needs to be monitored, particularly those projects financed by the African Development Bank and the financing agencies of the World Bank. A December 1997 Commerce message (97 USDOC 6119) indicated that an embassy officer overseas should approach an official of a multilateral development bank, as do the embassies of our principal foreign competitors, to gain information on bank lending plans and commitments at the very beginning of the project cycles. Because multilateral development bank lending plays an important role in the economic development of many African countries, project tracking is a vitally important responsibility at the early stage of the process. For example, a 1997 TDA report stated that the inactivity of one embassy in monitoring an African country's bidding process on a very large project had the unfortunate consequence of hindering U.S. companies from responding fully to the bid specifications. Not only was the loss costly to the U.S. companies, but to TDA as well, because it had monitored the project for 10 years during the planning stage and dispersed \$1.2 million in direct grants and related expenses to promote the interests of U.S. exporters.

Export Promotion Training

We found that 60 percent of officials having the lead commercial responsibilities at AF posts had not received formal training in export promotion before arriving at post. We also found back-to-back situations where two officers in a row at posts had not received commercial training and that left its impact on the quality of assistance to U.S. business. AF has not screened personnel transfers to ensure that newly assigned officers have had commercial training or are scheduled for training prior to posting. We believe that it should be mandatory for officers with commercial responsibilities to attend FSI's week-long course on export promotion. An official in FSI agreed with us. This course is given four times a year and covers all the basic subjects a commercial officer is expected to handle. Each student taking the course receives two handbooks that answer most questions an officer may have in the field.

Export promotion training makes a difference. For example, we observed the difference in programs at two West African SEP posts, located in countries with similar per capita income, gross national product, population, and size of mission. There was a marked difference in their ability to respond to a request to establish a key commercial service. The officer without commercial training at one post was at a loss as to whether the post could take on this added responsibility. The officer with commercial training at the neighboring post quickly and successfully designed and began implementing the service for that post.

Recommendation 3: The Bureau of African Affairs, in coordination with the Office of Coordinator for Business Affairs and the Office of Career Development and Assignments in the Bureau of Personnel, should ensure that officers with commercial responsibilities receive formal training in export promotion, if practical, before arriving at post. In the interim, officers should be scheduled for the 3 day course given by the senior commercial officer in Abidjan or any other export promotion training sponsored by the senior commercial officer.

AF sent a cable to all posts announcing commercial training opportunities. In addition, AF identified all economic/commercial officers transferring to posts in the summer of 1998 and urged them to attend export promotion training. However, AF does not believe it can require officers to take training before reporting to post. Citing infrequent course offering and staffing cutbacks at AF posts, AF believes the recommendation would add to the hardship on posts' ability to function. As a result, the recommendation was modified to give AF flexibility in requiring officers to receive training prior to reporting to post. We believe the bureau's actions meet the intent of the recommendation. This recommendation is considered closed.

Review and Refocus of Country Programs

We found that AF has not reviewed country commercial programs to make the most effective use of available resources. Ghana and Zimbabwe are examples of the need for periodic assessment, but every post should critically review its program to keep a sense of purpose.

Ghana is a country experiencing good economic growth and attracting the attention of U.S. business. Although the embassy has demonstrated a useful outreach capability, the commercial unit lacks a sense of purpose and drive. Much of the problem stems from a sudden Washington decision in 1996 to transfer the personal service contract (PSC) commercial position funded by the State Department to FCS. The position reports to FCS Abidjan, but is supervised on a day-to-day basis by the embassy's economic/commercial officer in Accra. We found that with the State Department officer working 3 kilometers away in the chancery supervision of staff is impractical. We observed the FCS incumbent has a natural talent for outreach, but does not have the solid export promotion credentials necessary to mount an activist export promotion effort.

We believe that the sudden decision to relocate the commercial unit away from the chancery has damaged both operating efficiency and morale. The decision was made on the grounds that business visitors would have easier access to the new location. However, we

determined the security arrangement was the same at both locations. Visitor access to the chancery was comparable to access at the other embassies we visited. We found during the visit that most of the space in the chancery where the commercial unit had been located remained largely unoccupied 12 months later. After the unit was moved to grimy quarters in a USIS building, it began waiting on funding from Washington to cover remodeling costs. We spoke with a visiting U.S. business executive who was displeased with the split arrangement that both wasted his time and was unproductive. To further complicate matters after the move, the embassy failed to send a notice to the Department, until we brought it to the post's attention, requesting the commercial unit's new location be listed in the Department's *Key Officers Guide for Business Representatives*.

Clearly, these arrangements affecting U.S. export promotion efforts in Ghana have not improved commercial operations. The bureau should reexamine the transfer of the commercial PSC position from the Department to Commerce. An FCS officer familiar with this situation stated that it would have been better to have posted an FCS officer to Ghana rather than to have put this less effective hybrid arrangement in place.

Although we did not visit Embassy Harare, we did identify the urgent need to improve IMI reporting and the need to do more, through such reporting, to attract new-to-market companies to Zimbabwe. While IMI reporting appears at first glance to be among the highest for AF posts, our evaluation of 24 randomly selected IMI reports demonstrates they were poorly prepared. They rarely included the required technical information, and they never included the required estimate of overall project value. One IMI was submitted after the tender due date, and two had deadlines too short for a U.S. bidder to meet. All were labeled "Major Project," but none met the criteria of a project with a potential value of \$5 million in exports of U.S. goods and services. Most reports were of a type only locally established firms would find useful.

Embassy Harare devotes considerable time and scarce financial resources to staging U.S. pavilions at two local international fairs, one of which is similar to a U.S. state fair. However, FCS officials state U.S. participation in trade fairs should be on a full cost recovery basis. Further, FCS believes such shows should be left to the private sector. We believe that the post would be well advised to follow the FCS example and devote its resources to initiating outreach activities, which it states it does not have time for currently, that should provide material for useful IMIs. Those reports, with the post providing Gold Key services, can attract new-to-market companies that will raise the level of U.S. exports in this important southern Africa market.

Recommendation 4: The Bureau of African Affairs should review post commercial programs and, as appropriate, strengthen or refocus country and regional programs and support services to U.S. business.

AF stated it would review post commercial programs but noted its reluctance to second-guess the ambassador on certain issues related to commercial programs.

We recognize the bureau's concerns over chief of mission authority, but we reemphasize the need for the bureau to periodically review post commercial programs. We believe the bureau

is in a good position to suggest regional programs, post alliances, and support services to U.S. business. Based on the bureau's response to consult with Commerce in reviewing key aspects of commercial programs, this recommendation is considered resolved. This recommendation can be closed upon receipt of the bureau's feedback to posts on commercial programs.

Appendices:

Appendix A - Potential Initiatives to Coordinate and Manage Export Promotion in the Bureau of African Affairs

Appendix B - Bureau of African Affairs response memorandum

Potential Initiatives to Coordinate and Manage Export Promotion in the Bureau of African Affairs

The following list describes initiatives that the Bureau of African Affairs (AF) could develop and manage in order to attract U.S. companies to seek business opportunities in Africa and better utilize the export promotion resources in place at the 35 posts in the bureau that do not have Foreign Commercial Service representatives:

- Develop and implement a comprehensive strategy specifically directed to attract U.S. new-to-market companies to establish marketing relationships in Africa.
- Establish Gold Key Service at all AF posts showing near-term potential for U.S. exporters so these companies can more easily investigate markets for their products in specific African countries. The Gold Key Service will need to be modified for posts in the Special Embassy Program in accordance with individual staffing levels.
- Develop Gold Key services by product line and work with trade associations to recruit U.S. suppliers to take advantage of similar export opportunities in multiple countries.
- Support Gold Key services with more market research through outreach and be more active in preparing the “best prospects” list included in their Country Commercial Guide.
- Group the best prospects lists, by product, as an “All Africa” master list and make it available to the National Trade Data Bank so that individual AF country markets can be promoted on a regional basis.
- Monitor the Country Commercial Guides from AF posts for quality of content and timeliness.
- Improve and increase International Marketing Insights reporting from AF posts. Initiate the practice of writing International Marketing Insights as a group, where appropriate, to provide insights regarding possible markets for a specific product or service in two or more African countries
- Spot check International Marketing Insights quarterly output to ensure posts focus their reports to provide specific “marketing insights” that will draw the attention of U.S. exporters and the staffs of Export Assistance Centers to Africa as a place to do business and to its long-term potential.
- Work with the Office of Career Development and Assignments to ensure that officers transferred to AF posts to hold commercial responsibilities receive appropriate training in export promotion techniques.
- Develop close working relationships with appropriate U.S. industry trade associations to encourage their members to take a greater interest in African markets.

- Press forward with a bureauwide effort to have all posts represented by home pages on the Internet. Coordinate the set-up and maintenance activities within the embassy with the United States Information Service.
- Require all AF posts to obtain, from a host-country provider, an Internet address and provide each of the 104 Export Assistance Centers with a list of those addresses including post web site locations.
- Challenge AF posts without a Foreign Commercial Service representative to work more closely with trade specialists at Export Assistance Centers.
- Encourage commercial specialist Foreign Service Nationals to become the principal point of contact between their posts and Export Assistance Centers in the way Foreign Service Nationals working for the Foreign Commercial Service have come to provide continuity with their domestic counterparts.
- Seek training opportunities for qualified commercial specialist Foreign Service Nationals so that they may become more skilled in promoting U.S. exports.
- Take advantage of special situations, such as the travel of high-ranking U.S. officials or business delegations, to maximize their value to promote U.S. exports in Africa.
- Task AF posts to improve reporting on multilateral development bank projects and require that advance or “early warning” reporting become an area of supreme importance.
- Work with the Trade and Development Agency and United States Information Agency to encourage orientation visits, the International Visitors Program and the Voluntary Visitors Program trips to the United States by importers and major project decision makers.
- Explore with the U.S. Chamber of Commerce the development of ties with the Chamber’s counterparts in African countries to offer, jointly with posts, Gold Key Service and Agent Distributor Service assistance to U.S. companies.
- Coordinate closely with the Department of Commerce’s National Africa Team, and assist, where appropriate, as it seeks to develop creative initiatives to foster a greater U.S. business interest on sub-Saharan Africa.
- Direct outreach to the U.S. export community outlining specific business opportunities.
- Examine the utility of tasking posts in small countries to provide more accurate information on host country banks.
- Develop, with the Department of Commerce, ambassadorial visits to cities in the United States modeled on those organized by the Bureau of East Asian and Pacific Affairs.
- Seek to make better use of the *Commercial News USA* to introduce new U.S. products to the African market.

Establish means through which Francophone countries can receive French translations of appropriate promotional materials appearing in *Commercial News USA*